

**To the Mayor and Members of the City Council****June 21, 2016**

Page 1 of 1

**SUBJECT: ECONOMIC DEVELOPMENT PROGRAM AGREEMENT WITH
MUSEUM PLACE HOLDINGS, LLC**

The City and Museum Place Holdings, LLC (Developer) entered into an Economic Development Program Agreement (City Secretary Contract No. 36482) on January 14, 2008. In return for Developer's commitment to construct a mixed-use development in the vicinity of the Cultural District, more commonly known as the Museum Place development, the City agreed to pay the Developer certain economic development grants equal to 55 percent of the incremental value of the real, business personal property and sales taxes received from the development, as authorized by Chapter 380 of the Texas Local Government Code.

The Agreement called for Developer to construct Museum Place in four phases, which would include commercial, retail, residential, parking, and a hotel. The Agreement has been amended four times to extend various completion deadlines associated with the project. The first amendment also revised the Minority/Women-Owned Business Enterprises commitment and allowed for collateral assignments of the Agreement to a lender.

This proposed amendment will remove Phases III and IV from the scope of the development project altogether, making Phases I and II the only phases incentivized under the Agreement. Accordingly, the overall Program Cap under the Agreement would be reduced from a maximum of \$26 million in aggregate to a maximum of \$10 million. Additionally, the Developer is required to set aside 15% of all residential units comprising Phase II (which staff has determined is equal to 33 apartments) as affordable housing units. Of these, 4 apartments must be set aside for lease exclusively to qualifying households whose adjusted incomes do not exceed HUD's 65% income with 7 set aside for households earning no more than 60% income levels; and the remainder 22 set aside for households earning no more than 80% income levels. Under the amendment, the 4 units reserved for households earning no more than 65% income will be shifted and reserved exclusively for households earning no more than 60% income levels.

Phase I and Phase II of the Museum Place development have been completed. However, documentation to the City's Economic Development of all reporting necessary to confirm completion of Phase II by its required completion deadline of December 31, 2013 was not received until October of 2015 due to a mailing error that was not the fault of Developer. This error resulted in underpayment to the Developer for grants in 2014 and 2015. As a result, \$111,078 and \$236,783 will be added to the grant due in 2016 in order to fully pay the earned incentives as outlined in the economic development agreement. The 2016 grant payment has been calculated to be \$368,292. The total grant payments to be made this fiscal year will equal \$716,153.

If you have any questions concerning this information, please contact Robert Sturns, Economic Development Director at 817-212-2663 or robert.sturns@fortworthtexas.gov.

David Cooke
City Manager